

NSC BRIEFING

4 December 1957

## INDONESIA

I. Indonesia's failure to win United Nation endorsement of its resolution on Netherlands New Guinea (vote was 41-29 for, but two-thirds majority was required) touched off a government-sponsored campaign of retaliation against the Dutch, particularly in Java, which could rapidly lead to chaotic political and economic conditions.

A. Campaign against the 50-60,000 Dutch residents and investments (about \$1.5 billion) commenced with 24 hour strike on 2 December involving 150,000 Indonesian workers in Dutch enterprises.

B. This was followed by official bans on all Dutch-language publications, KLM flights into Djakarta, entry of Dutch citizens into Indonesia as well as unofficial harassment of individuals.

C. There is also evidence that a break in diplomatic relations may be expected soon.

II. Communists have been quick to exploit situation.

A. "Workers" belonging to the Communist-led labor federation, SOBSSI, have occupied premises of at least seven leading Dutch firms, and hoisted red flags over them.

1. Included are banks, import-export firms, and KPM--the large ship company which handles 70 percent of inter-island shipping.

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B. "Workers" have proposed that the government assume ownership of these companies with proviso that they have a voice in their future management.

C. Although Indonesian government is trying to keep lid on movement which it has launched, it is questionable whether moderates can prevent continued freewheeling by Communists or increase of excesses to point of physical violence against Dutch personnel, and possibly other Westerners.

1. Indonesian government, for instance, claims that Communist seizures of Dutch property were not officially sanctioned, but no effective counteraction has been taken and cabinet 25X1 has agreed to consider the SOBSI proposals.

D. We believe that the chances are still better than even that the Communists will not attempt forcefully to seize control of the government in the next few weeks.

III. Further complication was attempted assassination of Sukarno on 30 November. 25X1

A. Unless it can be proved that Communists were responsible [redacted] effect is likely to [redacted] increase Sukarno's messianic complex and tighten his relations with reds.

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B. It is widespread concern (including Premier Djuanda's) that Sukarno is likely to retaliate harshly against those opposed to his policies. This would virtually eliminate any prospects for peaceful settlement of Indonesia's internal political strife.

C. In any event, breach between Sukarno and dissident colonels has widened still more.

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1. In this connection, the National Reconstruction Conference which convened in Djakarta on 25 November appears to have been a complete failure.

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